

HOPKINS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2005

CONTENTS

Page

Independent auditors' report	iv - v
---	--------

Management's Discussion and Analysis	vi - xi
---	---------

Basic financial statements

Government-wide financial statements

Statement of net assets	1
-------------------------------	---

Statement of activities	2
-------------------------------	---

Fund financial statements

Balance sheet – governmental funds.....	3
---	---

Statement of revenue, expenditures and changes in fund balances – governmental funds.....	4
--	---

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	5
---	---

Fiduciary funds

Statement of fiduciary net assets.....	6
--	---

Notes to financial statements	7 - 22
-------------------------------------	--------

Required supplementary information	24
---	----

Budgetary comparison schedule – general fund.....	25
---	----

Additional information	26
-------------------------------------	----

Nonmajor governmental fund types

Combining balance sheet	27
-------------------------------	----

Combining statement of revenues, expenditures, and changes in fund balances	28
--	----

CONTENTS

	<u>Page</u>
General fund	
Balance sheets	29
Detail of revenues	30
Detail of expenditures	31 - 37
Special revenue funds	
Combining balance sheet	38
Combining statement of revenues, expenditures and changes in fund balances	39 - 40
Debt service funds	
Combining balance sheet	41
Combining statement of revenues, expenditures and changes in fund balances	42
Fiduciary funds	
Combining balance sheet	43
Statement of cash receipts, disbursements and liabilities by activity - agency fund.....	44 - 47
General long-term debt group of accounts	
Bonded debt	48 - 51
School bond loan fund	52
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	53 - 54



Iamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 14, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopkins Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2005, on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Hopkins Public Schools

July 14, 2005

The management's discussion and analysis and budgetary comparison information on pages vi through xi and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins Public Schools' basic financial statements. The additional information on pages 26 to 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public School's (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2004-5 fiscal year resulted in a small fund deficit in the District's General Fund. This was the second successive year with a deficit, which had once again been an expected result for the District, as for the third successive year the District was operating on a flat revenue amount while absorbing double digit increases in health insurance and pension costs. The initial budget deficit projection was for \$353,000. The actual deficit for the year amounted to less than \$7,000.

The District Athletic Fund had greater revenues than expenses which reversed a two year trend of losses.

The School Lunch Fund had another year of positive results. Revenues exceeded expenses by nearly \$8,000.

In total, District revenues exceeded \$12,998,000 for the fiscal year ending June 30, 2005. Spending over that same time period was \$13,078,000. Revenue and expenditures increased by approximately \$300,000 and \$125,000 respectively. The District remains in the School Bond Loan Fund (SBLF), borrowing to keep the debt millage at 8 mills. Fiscal 2005 borrowings decreased slightly to just over \$210,000, and are expected to drop even lower in fiscal 2006.

The major revenue increases come about in the Debt Retirement Fund, where increasing property values raised tax receipts, and in the General Fund where the blended student count of 1,512 was 52 students higher than the previous year.

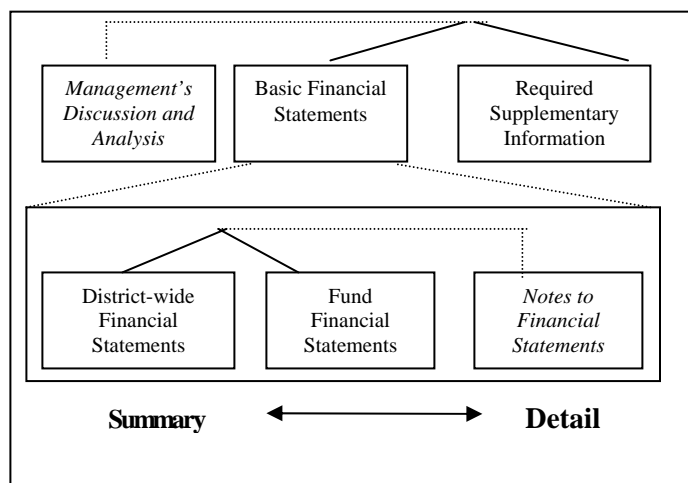
During the 2004/05 fiscal year the District retired \$725,000 in principal from its long term debt. Borrowings from the SBLF of \$212,606 were the lowest amount since 1996. The fund balances for all District funds increased from \$2.64 million in 2003/04 to \$2.76 million in 2004/05.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.

**Figure A-1
Organization of Hopkins Public School's
Annual Financial Report**



- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Hopkins Public Schools' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities:

- Governmental activities- Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – District net assets increased during fiscal 2005. Borrowings from the school bond loan fund, which allows the District to maintain an artificially low millage rate during the beginning years of bond repayment has an impact in this area. Depreciation of District assets, more than \$600,000, as opposed to new purchases of \$288,000 also had an impact.

Table A-3
Hopkins Public Schools

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 4,425,133	\$ 3,987,640
Capital assets, less accumulated depreciation	<u>20,842,512</u>	<u>20,893,811</u>
Total assets	<u>25,267,645</u>	<u>24,881,451</u>
Long-term debt outstanding	22,720,026	23,273,328
Other liabilities	<u>2,764,766</u>	<u>2,350,960</u>
Total liabilities	<u>25,484,792</u>	<u>25,624,288</u>
Net assets:		
Invested in capital assets net of related debt	(1,783,679)	(2,092,547)
Restricted	182,473	69,018
Unrestricted	<u>1,384,059</u>	<u>1,280,692</u>
Total net assets (deficit)	<u><u>\$ (217,147)</u></u>	<u><u>\$ (742,837)</u></u>

Table A-4
Changes in Hopkins Public Schools' Net Assets

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 617,035	\$ 501,773
Charges for services	503,025	649,996
General revenues:		
Property taxes	1,866,740	1,774,473
State aid – unrestricted	9,759,946	9,321,370
Other	<u>251,168</u>	<u>213,635</u>
Total revenues	<u>12,997,914</u>	<u>12,461,247</u>
Expenses:		
Instruction	6,057,901	6,543,107
Support services	4,503,699	4,184,803
Community services	29,684	20,854
Food services	613,733	592,457
Athletics	90,677	108,831
* Business type activities		
Interest on long-term debt	986,357	1,012,002
Unallocated depreciation	<u>467,673</u>	<u>480,529</u>
Total expenses	<u>12,749,724</u>	<u>12,942,583</u>
Increase (decrease) in net assets	<u><u>\$ 248,190</u></u>	<u><u>\$ (481,336)</u></u>

District Governmental Activities

District funds increased by \$300,000 during fiscal 2005. While the General Fund had a small deficit for the year, this was more than offset by fund surplus in the Debt, School Lunch and Athletic funds. Overall the District remains in above average financial health. This results from several areas:

- Student growth continues to be a positive impact for the District. The District's blended student count (a combination of the fall and winter count) has increased from 1,311 in the 1998 fiscal year to 1,512 in fiscal 2005, an increase of over 15%.
- More than 50% of the District's employees participate in a total compensation package for determining wage increases. This has kept the "flat" student foundation grant from having as large of an impact on the District as has been the case in other areas.
- The District ECDD program was expanded in 2005 generating additional revenues at a minor increase in expenses.
- Because of the addition of two technology towers which were expensed in previous years, the District saw a reduction in the expense of leased phone lines.
- Additional federal revenues were received as the District spent more time documenting special education services.
- The athletic department, although preparing for additional District sports, was able to keep expenditures in line with revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's excess of expenditures for the year over revenues was not unanticipated. Steps were taken at the end of fiscal '03 to improve the School Lunch fund, but changes in league philosophy regarding minimum officiating crews made it a difficult year for the Athletic Department. Combined District fund balances still represent over 20% of yearly expenditures. The General Fund deficit was anticipated due to the scale of activities during 2004/05.

General Fund and Budget Highlights

During fiscal 2005 the District's budgets were amended several times to reflect the changes that had major impact upon the District.

Initial amendments were made once the State Aid Act had been determined, and the fall enrollment was known. Additional amendments were made to reflect the increased amount of special education charges from other Districts, to take into account the impact of higher fuel and heating costs as well as other winter specific activities such as snow removal. The loss of one of the Districts two speech therapists required contracting out for these services, at a significant increase in cost.

Final amended budgets were proposed in May, expecting a surplus of \$12,000. Final figures showed a deficit of approximately \$7,000. Higher cost for District election (this was the first year of the election consolidation law), as well as final textbook purchases resulted in a \$20,000 swing in final numbers.

The initial District budget adopted in June of 2004 anticipated a deficit for the year of \$353,000. An increase of 64 students at the fall student count day brought in additional revenues of more than \$320,000. With that large of a student increase, staffing also needed to be adjusted, as did purchases for textbooks and supplies. An increase of nearly 50% in the cost of diesel fuel, as well as a 20% increase in the cost of heating added to expenditures. The District also received new grant money, as well as an increase in funding for special education Medicaid services which in total with the enrollment increase allowed the anticipated deficit to drop from \$353,000 to under \$7,000.

Overall final figures showed that District expenditures ended \$157,000 higher than originally budgeted, a difference of less than 1.5%, while revenues increased from a budgeted amount of \$10,495,000 to an actual amount of \$10,871,000, an increase of 3.6% over the budget adopted in June of 2004.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal 2005 were lower than in previous years. Replacement of technology, two new school buses, and roof repair at the middle school made up the majority of the \$288,000 in capital spending.

Table A-5
Hopkins Public Schools Capital Assets
(Net of Depreciation)

	2005	2004
Land	\$ 50,000	\$ 50,000
Construction in progress	92,368	77,451
Buildings and additions	19,639,168	20,063,421
Furniture and equipment	531,357	453,274
Transportation equipment	529,619	527,165
Totals	<u>\$ 20,842,512</u>	<u>\$ 21,171,311</u>

Long-term Debt

At the conclusion of fiscal 2005 the District continued to have over \$23,000,000 in general obligation bonds and long term debt outstanding. This amount was \$592,000 less than the previous year. During fiscal 2005 the District retired over \$725,000 in bond principal, but also issued new borrowing of \$213,000 from the School Bond Loan Fund.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited the District was aware of several areas which could have major impacts on the 2006 fiscal year and the future.

- The State of Michigan has not yet set a School Aid Act for fiscal 2006. Because of this all estimates for revenues must be viewed with the same degree of concern.
- District student count is expected to remain stable in 2006. At this point it is impossible to predict whether the 64 student increase during 2005 was an aberration, or if it is to be an expectation.
- Benefit costs, particularly health and pension costs continue to escalate. Health insurance increases are as much as \$1,500 per person, while pension charges are increasing by more than 10%. These two areas of the budget in and of themselves, will take all new money from a foundation grant increase.
- The increase in the student population is beginning to have an impact on space. The District will be turning away students at some grade levels because of space concerns. In the future the District will also need to look at long-term space needs if growth continues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	ASSETS	Governmental activities
CURRENT ASSETS:		
Cash		\$ 1,637,869
Investments		731,129
Due from other governmental units		1,840,768
Interest receivable		9,359
Taxes receivable		6,306
Inventories		71,888
Prepaid expenditures		127,814
TOTAL CURRENT ASSETS		4,425,133
NONCURRENT ASSETS:		
Capital assets		26,934,980
Less accumulated depreciation		(6,092,468)
TOTAL NONCURRENT ASSETS		20,842,512
TOTAL ASSETS		\$ 25,267,645
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 108,206
Accrued salaries and related items		477,571
Accrued interest		155,672
Accrued expenses		207,871
Deferred revenue		3,153
Note payable		840,000
Current portion of accrued severance pay		112,057
Current portion of long-term obligations		784,277
Current portion of compensated absences and retirement incentives		75,959
TOTAL CURRENT LIABILITIES		2,764,766
NONCURRENT LIABILITIES:		
Noncurrent portion of long-term obligations		21,841,914
Noncurrent portion of compensated absences and retirement incentives		653,999
Noncurrent portion of accrued severance pay		224,113
TOTAL NONCURRENT LIABILITIES		22,720,026
TOTAL LIABILITIES		25,484,792
NET ASSETS (DEFICIT):		
Invested in capital assets net of related debt		(1,783,679)
Restricted for debt service		182,473
Unrestricted		1,384,059
TOTAL NET ASSETS (DEFICIT)		(217,147)
TOTAL LIABILITIES AND NET ASSETS		\$ 25,267,645

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 6,057,901	\$ 306	\$ 398,492	\$ (5,659,103)
Support services	4,503,699	18,905	12,784	(4,472,010)
Community services	29,684	29,922		238
Food services	613,733	394,032	205,759	(13,942)
Athletics	90,677	59,860		(30,817)
Interest on long-term debt	986,357			(986,357)
Unallocated depreciation	467,673			(467,673)
Total governmental activities	<u>\$ 12,749,724</u>	<u>\$ 503,025</u>	<u>\$ 617,035</u>	<u>(11,629,664)</u>
General revenues:				
Property taxes, levied for general purposes				410,355
Property taxes, levied for debt service				1,456,385
Investment earnings				40,423
State sources				9,759,946
Allegan ISD special education allocation				179,598
Other				31,147
Total general revenues				<u>11,877,854</u>
CHANGE IN NET ASSETS (DEFICIT)				248,190
NET ASSETS (DEFICIT), beginning of year, as restated				<u>(465,337)</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (217,147)</u>

General fund	Other nonmajor governmental funds	Total governmental funds
\$ 1,278,044	\$ 359,825	\$ 1,637,869
731,129		731,129
9,359		9,359
	6,306	6,306
1,821,636	19,132	1,840,768
60,936	10,952	71,888
127,814		127,814
\$ 4,028,918	\$ 396,215	\$ 4,425,133

\$	102,311	\$	5,895	\$	108,206
	477,571				477,571
	207,871				207,871
			6,306		6,306
	12,984				12,984
	840,000				840,000
	<u>1,640,737</u>		<u>12,201</u>		<u>1,652,938</u>

General fund	Other nonmajor governmental funds	Total governmental funds
\$ 60,936	\$ 10,952	\$ 71,888
127,814		127,814
	325,161	325,161
729,958		729,958
359,000		359,000
1,110,473	47,901	1,158,374
2,388,181	384,014	2,772,195
\$ 4,028,918	\$ 396,215	\$ 4,425,133

\$ 2,772,195

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is

Accumulated depreciation is

20,842,512

Bonds payable	(22,626,191)
Compensated absences	(729,958)
Severance pay	(336,170)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid	(142,688)
Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts, expected to be collected after September 1, 2005	3,153

\$ (217,147)

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 410,355	\$ 1,456,552	\$ 1,866,907
Investment earnings	30,813	9,610	40,423
Food sales and athletic admissions		450,483	450,483
Other	105,182	4,386	109,568
Total local sources	546,350	1,921,031	2,467,381
State sources	9,920,653	34,404	9,955,057
Federal sources	224,690	171,355	396,045
Incoming transfers	179,598		179,598
Total revenues	10,871,291	2,126,790	12,998,081
EXPENDITURES:			
Current:			
Instruction	6,224,484		6,224,484
Supporting services	4,580,353		4,580,353
Food service activities		614,395	614,395
Athletic activities		60,791	60,791
Community service activities	29,684		29,684
EXPENDITURES (Concluded):			
Debt service:			
Principal repayment	\$	\$ 725,000	\$ 725,000
Interest expense		838,073	838,073
Professional fees		5,716	5,716
Total expenditures	10,834,521	2,243,975	13,078,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36,770	(117,185)	(80,415)
OTHER FINANCING SOURCES (USES):			
Proceeds from school bond loan fund		212,606	212,606
Operating transfers from other funds		43,041	43,041
Operating transfers to other funds	(43,041)		(43,041)
Total other financing sources (uses)	(43,041)	255,647	212,606
NET CHANGE IN FUND BALANCES	(6,271)	138,462	132,191
FUND BALANCES:			
Beginning of year	2,394,452	245,552	2,640,004
End of year	\$ 2,388,181	\$ 384,014	\$ 2,772,195

**HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances total governmental funds	\$ 132,191
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities.	
These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(617,147)
Capital outlay	288,348
Accrued interest on bonds is recorded in the statement of activities	
when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	146,631
Accrued interest payable, end of the year	(142,688)
Accrued severance pay is recorded in the statement of activities when incurred, but	
it is not recorded in the governmental funds until it is paid:	
Accrued severance pay, beginning of year	448,227
Accrued severance pay, end of year	(336,170)
Proceeds and repayments of principal on long-term debt are revenues and expenditures in the	
governmental funds, but not in the statement of activities (where they are additions	
and reductions of liabilities):	
Principal repayment	725,000
Proceed from school bond loan fund	(364,833)
Revenue is recorded on the accrual method in the statement of activities; in the	
governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue, beginning of the year	(3,320)
Accrued revenue, end of the year	3,153
Compensated absences are reported on the accrual method in the statement of activities,	
and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	698,756
Accrued compensated absences, end of the year	(729,958)
Change in net assets of governmental activities	\$ 248,190

HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

ASSETS	Private purpose trust fund	Agency funds
Cash	\$	\$ 31,371
Land	37,000	
Land improvements	3,522	
Building	40,000	
Building improvements	1,097	
	<u>\$ 81,619</u>	<u>\$ 31,371</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 31,371</u></u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to student groups	\$	\$ 31,371
Fund balances:		
Reserved for school use	<u>81,619</u>	
	<u>\$ 81,619</u>	<u>\$ 31,371</u>
	<u><u>\$ 81,619</u></u>	<u><u>\$ 31,371</u></u>

There was no activity in the private purpose trust fund for the year ended June 30, 2005.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hopkins Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school District and other unrestricted items are not included as program revenues but instead as *general revenues*.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate District sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school District functions typically are financed. The acquisition, use and balances of the school District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual method of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school Districts based on information supplied by the Districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	8.0

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK

As of June 30, 2005, the District had the following investments.

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Standard & Poor's Rating</u>	<u>%</u>
Money markets:				
Guaranteed investment contracts	<u>\$ 731,129</u>	<u>0.14</u>	AAAm	<u>100.0%</u>
Portfolio weighted average maturity		<u>0.14</u>		

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK (Concluded)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,604,709 of the District's bank balance of \$1,904,709 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the bank balance is \$1,191,523 of money market accounts.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

A reconciliation of cash and investments as shown on the combined statement of net assets follows:

Carrying value:	
Cash on deposit with insurance company	\$ 33,600
Cash on hand	200
Carrying amount of deposits: Checking	443,917
Carrying amount of deposits: Money markets	1,191,523
Carrying amount of investment	<u>731,129</u>
Total	<u><u>\$ 2,400,369</u></u>
Per financial statements:	
Cash - including agency funds of \$31,371	\$ 1,669,240
Investments	<u>731,129</u>
Total	<u><u>\$ 2,400,369</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2004 (as restated)	Additions	Deletions	Balance June 30, 2005
Assets not being depreciated - land	\$ 50,000	\$	\$	\$ 50,000
Construction in progress	77,451	92,368	77,451	92,368
Total capital assets not being depreciated	<u>127,451</u>	<u>92,368</u>	<u>77,451</u>	<u>142,368</u>
Other capital assets:				
Buildings and additions	23,895,624			23,895,624
Furniture and equipment	1,221,311	155,168		1,376,479
Transportation equipment	1,653,592	118,263	251,346	1,520,509
Subtotal	<u>26,770,527</u>	<u>273,431</u>	<u>251,346</u>	<u>26,792,612</u>
Accumulated depreciation:				
Buildings and additions	3,832,203	450,536		4,282,739
Furniture and equipment	768,037	50,802		818,839
Transportation equipment	1,126,427	115,809	251,346	990,890
Net other capital assets	<u>5,726,667</u>	<u>617,147</u>	<u>251,346</u>	<u>6,092,468</u>
Net capital assets	<u>\$ 21,171,311</u>	<u>\$ (251,348)</u>	<u>\$ 77,451</u>	<u>\$20,842,512</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$617,147.

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 1,839
Support Services	117,749
Athletics	29,886
Unallocated depreciation	<u>467,673</u>
Total depreciation	<u>\$ 617,147</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2005 consist of the following:

	General fund
State Aid - State of Michigan	\$ 1,802,806
Other governmental units	<u>37,962</u>
	<u><u>\$ 1,840,768</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 6 - NOTE PAYABLE

At June 30, 2005, the District has outstanding a \$840,000 revenue note (state-aid note). The note, which has an interest rate of 1.55%, matures August 19, 2005. The District has \$731,129 of funds on deposit in a guaranteed investment contract with a financial institution, which are included in investments on the general fund balance sheet, to pay-off the note. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2004	Additions	Payments	Balance June 30, 2005
<u>\$ 700,000</u>	<u>\$ 840,000</u>	<u>\$ 700,000</u>	<u>\$ 840,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1996 general obligation bonds due in annual installments of \$650,000 to \$700,000 through May 1, 2007 with interest at 6.25%	\$ 1,350,000
---	--------------

1998 general obligation refunding bonds due in annual installments of \$60,000 to \$415,000 through May 1, 2026 with interest at 3.95% to 4.65%	8,005,000
---	-----------

1999 general obligation refunding bonds due in annual installments of \$45,000 to \$440,000 through May 1, 2026 with interest at 4.0% to 4.75%	<u>7,840,000</u>
--	------------------

Total general obligation bonds	17,195,000
--------------------------------	------------

1998 limited obligation bonds (Durant bonds) due in annual installments of \$6,481 to \$29,277 through May 1, 2013 with interest at 4.76%. Certain state aid payments have been pledged as security.	81,674
--	--------

Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,349,517
---	-----------

Accrued retirement benefits:

Obligation under contract for compensated absences and retirement incentives	729,958
--	---------

Obligation under contract for severance pay	<u>336,170</u>
---	----------------

Total general long-term debt	<u><u>\$ 23,692,319</u></u>
------------------------------	-----------------------------

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2005, including interest of \$8,711,485, are as follows:

Year ending June 30,	Total
2006	\$ 1,592,141
2007	1,563,956
2008	1,540,985
2009	1,507,164
2010	1,468,131
2011-2015	6,873,934
2016-2020	5,812,332
2021-2025	4,786,692
2026	842,824
	<u>25,988,159</u>
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,349,517
Accrued retirement benefits:	
Obligation under contract for compensated absences and retirement incentives	729,958
Obligation under contract for severance pay	336,170
	<u>336,170</u>
Total general long-term debt and interest	<u><u>\$ 32,403,804</u></u>

An amount of \$325,161 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2005 was \$1,003,283. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
General obligation bonds	\$ 17,920,000	\$	\$ 725,000	\$17,195,000	\$ 755,000
Limited obligation bonds	81,674			81,674	29,277
School bond loan fund	4,984,684	364,833		5,349,517	
Accumulated unpaid sick pay	514,756	24,702		539,458	75,959
Accrued early retirement incentives	184,000	6,500		190,500	
Severance pay	448,227		112,057	336,170	112,057
Totals	<u>\$ 24,133,341</u>	<u>\$ 396,035</u>	<u>\$ 837,057</u>	<u>\$23,692,319</u>	<u>\$ 972,293</u>

At June 30, 2005 outstanding general obligation bonds of \$15,050,000 relating to the 1996 issue are considered to be defeased.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% of payroll through September 30, 2004 and 14.87% effective October 1, 2004. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2005, 2004 and 2003 were \$922,963, \$812,710, and \$779,409, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

Hopkins Public Schools is self insured for dental and vision claims. Claims for the year ending June 30, 2005 and 2004 were approximately \$175,103 and \$215,000, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2005 and 2004 is not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - COMMITMENTS

On November 5, 1996 Hopkins Public Schools issued \$20,990,000 general obligation unlimited tax bonds. The Bonds are being issued for the purpose of (i) erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Hopkins Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the Sycamore Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site and playground; erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Junior/Senior High School for middle school purposes and, in part, for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing, and equipping a new high school and acquiring and installing educational technology systems, developing and improving the site; and constructing and equipping a bus maintenance facility, and developing and improving the site and (ii) paying the costs of issuing the Bonds.

The District is required to rebate investment income earned over allowable limits on funds invested from the sale of bonds to construct various buildings and upgrade existing facilities as required by the Tax Reform Act of 1986. Current estimates indicate any rebate will not have a significant impact to the District.

NOTE 11 - TRANSFERS

The general fund transferred \$43,041 to the special revenue fund, \$21,361 to the school lunch fund and \$21,680 to the athletics fund to cover operating deficits.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The June 30, 2004 net assets have been restated to show an increase of \$277,500. The increase is the result of the District adding additional capital assets in prior year that were not recorded on the appraisal report in the proper period. The effect of this adjustment was to increase capital assets and increase net assets.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

[illegible]

ADDITIONAL INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2005**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 34,664	\$ 325,161	\$ 359,825
Due from other governmental units	19,132		19,132
Taxes receivable		6,306	6,306
Inventories	10,952		10,952
	<u>10,952</u>	<u> </u>	<u>10,952</u>
TOTAL ASSETS	<u><u>\$ 64,748</u></u>	<u><u>\$ 331,467</u></u>	<u><u>\$ 396,215</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 5,895	\$	\$ 5,895
Deferred tax revenue		6,306	6,306
	<u>5,895</u>	<u>6,306</u>	<u>12,201</u>
TOTAL LIABILITIES	<u>5,895</u>	<u>6,306</u>	<u>12,201</u>
FUND BALANCES:			
Reserved for inventories	10,952		10,952
Reserved for debt service		325,161	325,161
Unreserved, undesignated	47,901		47,901
	<u>47,901</u>	<u>325,161</u>	<u>384,014</u>
TOTAL FUND BALANCES	<u>58,853</u>	<u>325,161</u>	<u>384,014</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 64,748</u></u>	<u><u>\$ 331,467</u></u>	<u><u>\$ 396,215</u></u>

**HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2005**

[illegible]

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2005 AND 2004**

ASSETS	<u>2005</u>	<u>2004</u>
Cash	\$ 1,278,044	\$ 241,650
Investments	731,129	1,566,515
Due from other governmental units	1,821,636	1,729,827
Due from other funds		10,458
Accrued interest receivable	9,359	4,824
Taxes receivable		6,640
Inventories	60,936	72,859
Prepaid expenses	127,814	122,960
	<u>\$ 4,028,918</u>	<u>\$ 3,755,733</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 102,311	\$ 5,125
Accrued interest	12,984	7,140
Accrued expenses	207,871	189,088
Accrued salaries	477,571	436,153
Deferred revenue		6,640
Due to other funds		17,135
Note payable	840,000	700,000
Total liabilities	<u>1,640,737</u>	<u>1,361,281</u>
Fund balance:		
Reserved for inventories	60,936	72,859
Reserved for prepaid expenses	127,814	122,960
Unreserved:		
Designated for accrued retirement benefits	729,958	698,756
Designated for subsequent year expenditures	359,000	353,000
Undesignated	1,110,473	1,146,877
Total fund balance	<u>2,388,181</u>	<u>2,394,452</u>
	<u>\$ 4,028,918</u>	<u>\$ 3,755,733</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
LOCAL SOURCES:		
Property taxes	\$ 410,355	\$ 414,532
Interest	30,813	25,238
Other local revenue	70,725	71,261
Welcoming school grant	6,600	63,349
Building rentals	18,905	17,242
Refunds and rebates	8,952	8,450
TOTAL LOCAL SOURCES	546,350	600,072
STATE SOURCES:		
State school aid	9,427,919	9,083,458
Driver education	200	9,040
Special education	332,068	231,720
Vocational education	5,154	
At risk	140,319	136,046
Durant	12,784	12,784
Other state revenue	2,209	7,498
TOTAL STATE SOURCES	9,920,653	9,480,546
FEDERAL SOURCES:		
Title I	146,251	146,251
Improving teacher quality	59,987	60,738
Drug free schools and communities	6,027	4,556
Other federal revenue	12,425	170
TOTAL FEDERAL SOURCES	224,690	211,715
INCOMING TRANSFERS:		
Special education	179,598	161,395
Other reimbursements		1,000
TOTAL INCOMING TRANSFERS	179,598	162,395
TOTAL REVENUES	\$ 10,871,291	\$ 10,454,728

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

INSTRUCTION:	<u>2005</u>	<u>2004</u>
Basic programs:		
Elementary:		
Salaries	\$ 1,574,245	\$ 1,513,904
Benefits	651,169	592,476
Purchased services	52,614	17,635
Supplies and materials	44,264	56,133
Other expenses	2,740	8,181
Capital outlay	3,978	2,249
Total elementary	<u>2,329,010</u>	<u>2,190,578</u>
Middle school:		
Salaries	707,153	763,840
Benefits	340,947	321,170
Purchased services	25,848	10,137
Supplies and materials	11,089	9,391
Other expenses	242	50
Capital outlay	3,282	
Total middle school	<u>1,088,561</u>	<u>1,104,588</u>
High school:		
Salaries	1,124,578	1,149,222
Benefits	497,950	451,971
Purchased services	44,874	21,600
Supplies and materials	82,661	88,367
Other expenses	3,443	8,420
Capital outlay	16,872	78,551
Total high school	<u>1,770,378</u>	<u>1,798,131</u>
Total instruction-basic programs	<u>5,187,949</u>	<u>5,093,297</u>
Added needs:		
Special education:		
Salaries	470,119	449,504
Benefits	215,751	183,824
Purchased services	66,454	18,200
Supplies and materials	5,501	9,303
Other expenses	699	10,174
Total special education	<u>758,524</u>	<u>671,005</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

INSTRUCTION (Concluded):	2005	2004
Added needs (Concluded):		
Compensatory education:		
Salaries	\$ 147,325	\$ 146,896
Benefits	50,933	37,979
Purchased services	374	7,017
Supplies and materials	2,660	5,145
Other expenses	3,654	3,152
	<hr/>	<hr/>
Total compensatory education	204,946	200,189
	<hr/>	<hr/>
Vocational education:		
Salaries	37,849	36,688
Benefits	24,215	21,841
Purchased services	5,360	2,070
Supplies and materials	1,449	5,048
	<hr/>	<hr/>
Total vocational education	68,873	65,647
	<hr/>	<hr/>
Drivers education:		
Salaries	2,565	18,913
Benefits	757	3,627
Purchased services	752	7,514
Supplies and materials	118	2,889
Other expenses		864
	<hr/>	<hr/>
Total drivers education	4,192	33,807
	<hr/>	<hr/>
Total instruction-added needs	1,036,535	970,648
	<hr/>	<hr/>
TOTAL INSTRUCTION	6,224,484	6,063,945
	<hr/>	<hr/>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
SUPPORTING SERVICES:		
Support services-pupil:		
Guidance services:		
Salaries	\$ 155,668	\$ 172,501
Benefits	79,025	65,652
Purchased services	4,714	4,068
Supplies and materials	4,086	4,462
Other expenses	4,628	4,194
	<u>248,121</u>	<u>250,877</u>
Total guidance services		
Psychological services:		
Salaries	35,818	11,576
Benefits	22,127	
Supplies and materials	2,851	84
Other expenses	2,995	583
	<u>63,791</u>	<u>12,243</u>
Total psychological services		
Occupational therapist:		
Salaries	20,092	15,918
Benefits	5,843	2,641
Purchased services	451	70
Supplies and materials	398	601
	<u>26,784</u>	<u>19,230</u>
Total occupational therapist		
Social work services:		
Salaries	60,984	58,234
Benefits	29,712	29,645
Purchased services	610	46
Supplies and materials	257	446
	<u>91,563</u>	<u>88,371</u>
Total social work services		

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
SUPPORTING SERVICES (Continued) :		
Support services - pupil:		
Speech therapist services:		
Salaries	\$ 66,860	\$ 66,043
Benefits	17,388	13,047
Purchased services	12,138	20
Supplies and materials	153	1,117
Other expenses	155	5,520
	<u>96,694</u>	<u>85,747</u>
Total speech therapist services		
Other pupil services:		
Salaries	32,394	29,521
Benefits	8,175	6,073
Purchased services	14,265	11,284
Supplies and materials	4,282	1,328
Other expenses	405	540
	<u>59,521</u>	<u>48,746</u>
Total other pupil services		
Total support services-pupil	<u>586,474</u>	<u>505,214</u>
Support services-instructional staff:		
Library:		
Salaries	94,048	90,514
Benefits	33,807	25,851
Purchased services	4,558	3,260
Supplies and materials	24,087	23,934
Other expenses	6,015	2,161
	<u>162,515</u>	<u>145,720</u>
Total library		

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
SUPPORTING SERVICES (Continued):		
Support services - instructional staff (Concluded):		
Professional development:		
Salaries	\$ 890	\$ 4,987
Benefits	9,792	4,491
Purchased services	1,528	10,260
Supplies and materials	30	466
	<u>12,240</u>	<u>20,204</u>
Total professional development		
	<u>12,240</u>	<u>20,204</u>
 Supervision and direction of instructional staff:		
Salaries	86,087	84,306
Benefits	34,793	29,380
Purchased services	3,563	1,868
Supplies and materials	6,383	1,066
Other expenses	75	75
	<u>130,901</u>	<u>116,695</u>
Total supervision and direction of instructional staff		
	<u>130,901</u>	<u>116,695</u>
 Total support services-instructional staff	<u>305,656</u>	<u>282,619</u>
 Support service-general administration:		
Board of education:		
Salaries	8,135	7,815
Purchased services	63,085	65,780
Supplies and materials	311	522
Other expenses	33,776	25,204
	<u>105,307</u>	<u>99,321</u>
Total board of education		
	<u>105,307</u>	<u>99,321</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
SUPPORTING SERVICES (Continued):		
Supporting services-general administration (Concluded):		
Executive administration:		
Salaries	\$ 140,022	\$ 133,852
Benefits	57,252	42,930
Purchased services	7,800	7,595
Supplies and materials	132	134
Other expenses	2,160	125
	<u>207,366</u>	<u>184,636</u>
Total executive administration	<u>207,366</u>	<u>184,636</u>
Total support services-general administration	<u>312,673</u>	<u>283,957</u>
Support services-school administration:		
Office of the principal:		
Salaries	527,337	530,536
Benefits	206,640	170,002
Purchased services	22,519	25,035
Supplies and materials	11,909	1,507
Other expense	8,904	12,686
	<u>777,309</u>	<u>739,766</u>
Total support services-school administration	<u>777,309</u>	<u>739,766</u>
Support services-business:		
Fiscal services:		
Salaries	168,266	166,306
Benefits	59,372	55,557
Purchased services	19,141	15,897
Supplies and materials	19,286	4,421
Other expenses	485	1,787
	<u>266,550</u>	<u>243,968</u>
Total fiscal services	<u>266,550</u>	<u>243,968</u>
Other business services:		
Purchased services	56,970	50,442
Interest on debt	12,101	8,567
	<u>69,071</u>	<u>59,009</u>
Total other business services	<u>69,071</u>	<u>59,009</u>
Total support services-business	<u>335,621</u>	<u>302,977</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
SUPPORTING SERVICES (Concluded):		
Support services-operations and maintenance:		
Salaries	\$ 433,675	\$ 451,083
Benefits	247,590	222,280
Purchased services	437,297	443,979
Supplies and materials	62,613	69,329
Other expenses	30,389	11,498
Capital outlay	55,283	355,557
	<u>1,266,847</u>	<u>1,553,726</u>
Support services-transportation:		
Salaries	357,461	348,721
Benefits	117,312	110,633
Purchased services	49,492	53,260
Supplies and materials	91,688	77,835
Other expenses	2,204	5,480
Capital outlay	118,263	140,133
	<u>736,420</u>	<u>736,062</u>
Central:		
Salaries	70,287	64,355
Benefits	31,646	26,256
Purchased services	4,367	4,362
Supplies and materials	3,547	3,537
Capital outlay	148,550	63,273
Other expenses	956	1,370
	<u>259,353</u>	<u>163,153</u>
TOTAL SUPPORTING SERVICES	<u>4,580,353</u>	<u>4,567,474</u>
COMMUNITY SERVICES:		
Community services-child care:		
Salaries	21,332	15,697
Benefits	4,756	3,239
Purchases services	232	
Supplies and materials	3,364	1,918
	<u>29,684</u>	<u>20,854</u>
TOTAL COMMUNITY SERVICES	<u>29,684</u>	<u>20,854</u>
TOTAL EXPENDITURES	<u><u>\$ 10,834,521</u></u>	<u><u>\$ 10,652,273</u></u>

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
with comparative totals for June 30, 2004**

	School lunch fund	Athletics fund	Totals	
			2005	2004
ASSETS				
Cash	\$ 15,541	\$ 19,123	\$ 34,664	\$ 22,338
Due from other governmental units	19,132		19,132	
Due from other funds				17,135
Inventories	10,952		10,952	4,378
TOTAL ASSETS	\$ 45,625	\$ 19,123	\$ 64,748	\$ 43,851
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,895	\$	\$ 5,895	\$ 3,490
Due to other funds				10,458
Total liabilities	5,895		5,895	13,948
Fund balances:				
Reserved for inventories	10,952		10,952	4,378
Unreserved:				
Undesignated	28,778	19,123	47,901	25,525
Total fund balances	39,730	19,123	58,853	29,903
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,625	\$ 19,123	\$ 64,748	\$ 43,851

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004**

	School lunch fund	Athletics fund	Totals	
			2005	2004
REVENUES:				
Student lunches	\$ 165,123	\$	\$ 165,123	\$ 167,327
Adult lunches	16,031		16,031	13,942
Breakfast	10,163		10,163	10,703
Ala carte	168,858		168,858	158,967
Catering	33,857		33,857	27,633
State aid	34,404		34,404	36,237
Federal aid	171,355		171,355	170,706
Athletic activities		56,451	56,451	54,645
Investment income	266	201	467	434
Miscellaneous	977	3,409	4,386	804
	<u>601,034</u>	<u>60,061</u>	<u>661,095</u>	<u>641,398</u>
Total revenues				
EXPENDITURES:				
Food purchases	253,090		253,090	249,714
Sales tax	848		848	803
Salaries	181,139		181,139	168,867
Supplies and materials	19,840	18,956	38,796	59,652
Miscellaneous	1,728	5,605	7,333	3,164
Repairs	6,764		6,764	225
Capital outlay	3,436	7,834	11,270	12,527
Office expense	14,964		14,964	1,785
Benefits	46,938		46,938	50,240
Athletic activities		28,396	28,396	42,131
Contracted services	85,648		85,648	81,158
	<u>614,395</u>	<u>60,791</u>	<u>675,186</u>	<u>670,266</u>
Total expenditures				

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004**

	<u>School lunch fund</u>	<u>Athletics fund</u>	<u>Totals</u>	
			<u>2005</u>	<u>2004</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (13,361)	\$ (730)	\$ (14,091)	\$ (28,868)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	<u>21,361</u>	<u>21,680</u>	<u>43,041</u>	<u>42,145</u>
NET CHANGE IN FUND BALANCES	8,000	20,950	28,950	13,277
FUND BALANCES (DEFICIT), beginning of year	<u>31,730</u>	<u>(1,827)</u>	<u>29,903</u>	<u>16,626</u>
FUND BALANCES, end of year	<u><u>\$ 39,730</u></u>	<u><u>\$ 19,123</u></u>	<u><u>\$ 58,853</u></u>	<u><u>\$ 29,903</u></u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004**

	<u>Debt service funds</u>			<u>Totals</u>	
	<u>1996</u>	<u>1998</u>	<u>1999</u>	<u>2005</u>	<u>2004</u>
ASSETS					
Cash	\$ 47,590	\$ 134,083	\$ 143,488	\$ 325,161	\$ 215,649
Taxes receivable			6,306	6,306	
TOTAL ASSETS	<u>\$ 47,590</u>	<u>\$ 134,083</u>	<u>\$ 149,794</u>	<u>\$ 331,467</u>	<u>\$ 215,649</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred tax revenue	\$	\$	\$ 6,306	\$ 6,306	\$
Fund balances:					
Reserved for debt service	<u>47,590</u>	<u>134,083</u>	<u>143,488</u>	<u>325,161</u>	<u>215,649</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,590</u>	<u>\$ 134,083</u>	<u>\$ 149,794</u>	<u>\$ 331,467</u>	<u>\$ 215,649</u>

HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
with comparative totals for the year ended June 30, 2004

	Debt Service funds			Totals	
	<u>1996</u>	<u>1998</u>	<u>1999</u>	<u>2005</u>	<u>2004</u>
REVENUES:					
Local sources:					
Property taxes	\$ 723,404	\$ 366,574	\$ 366,574	\$ 1,456,552	\$ 1,360,000
Investment income	4,347	2,398	2,398	9,143	5,180
	<u>727,751</u>	<u>368,972</u>	<u>368,972</u>	<u>1,465,695</u>	<u>1,365,180</u>
Total revenues					
EXPENDITURES:					
Principal retirement	625,000	55,000	45,000	725,000	720,000
Interest on bonded debt	123,750	356,553	357,770	838,073	881,105
Professional fees	2,286	1,715	1,715	5,716	1,579
	<u>751,036</u>	<u>413,268</u>	<u>404,485</u>	<u>1,568,789</u>	<u>1,602,684</u>
Total expenditures					
DEFICIENCY OF REVENUES					
UNDER EXPENDITURES	(23,285)	(44,296)	(35,513)	(103,094)	(237,504)
OTHER FINANCING SOURCES:					
Proceeds from School Bond		108,400	104,206	212,606	257,000
	<u>(23,285)</u>	<u>64,104</u>	<u>68,693</u>	<u>109,512</u>	<u>19,496</u>
NET CHANGE IN FUND BALANCES					
FUND BALANCES, beginning of year	70,875	69,979	74,795	215,649	196,153
FUND BALANCES, end of year	<u>\$ 47,590</u>	<u>\$ 134,083</u>	<u>\$ 143,488</u>	<u>\$ 325,161</u>	<u>\$ 215,649</u>

**HOPKINS PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005
with comparative totals for June 30, 2004**

ASSETS	Private purpose trust fund	Agency funds	Totals	
			2005	2004
Cash	\$	\$ 31,371	\$ 31,371	\$ 73,952
Land	37,000		37,000	37,000
Land improvements	3,522		3,522	3,522
Building	40,000		40,000	40,000
Building improvements	1,097		1,097	1,097
	<u>\$ 81,619</u>	<u>\$ 31,371</u>	<u>\$ 112,990</u>	<u>\$ 155,571</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to student groups	\$	\$ 31,371	\$ 31,371	\$ 73,952
Fund balances:				
Reserved for school use	81,619		81,619	81,619
	<u>\$ 81,619</u>	<u>\$ 31,371</u>	<u>\$ 112,990</u>	<u>\$ 155,571</u>

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Receipts	Disbursements	Balance June 30, 2005
Kindergarten-Coffindaffer	\$ 66	\$ 906	\$ 946	\$ 26
Kindergarten-Crowe	451	247	42	656
Kindergarten-Hennip	107	50		157
Kindergarten-Hartuniewicz	247	214	197	264
1st grade-Modreske	292	70	92	270
1st grade-Gilbert	39	50	42	47
1st grade-Moored	183	50	26	207
2nd grade-Skorupski	75	460	451	84
2nd grade-Edwards	373	256	352	277
2nd grade-Wolfe	13	497	481	29
3rd grade-Mielke	84	5,187	4,812	459
3rd grade-Hoeksema	161	50		211
3rd grade-Vendeville	672	50	203	519
3rd grade-McClish	41	50	59	32
3rd grade-Bardelmeier	61	276	217	120
4th grade-Meyers	90	50	27	113
4th grade-Rademacher	56	70	100	26
4th grade-Rigotti-Craig	69	150	98	121
4th grade-Duiven	62	370	388	44
5th grade-King	19	50	65	4
5th grade-Whitmore	91	50		141
5th grade-Pike	300	895	881	314
HE Young Authors	293			293
Y5's-Siebers	235	50	4	281
Math HE	3			3
Buddy Reading	239		238	1
Sp Ed-Larr	148	50		198
Sp Ed-Soderquist	4	50	25	29
Sp Ed-Irwin	103			103
Sp Ed-Ball	234	50	18	266
Sp Ed-High School	2	3,057	2,960	99

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Receipts	Disbursements	Balance June 30, 2005
1st grade-Watson	\$ 112	\$ 50	\$ 27	\$ 135
1st grade-Cardenas	95	61	49	107
HE Misc.	403	2,991	2,602	792
Sycamore, Misc	1,366	2,666	3,721	311
 Sycamore Field Trips	 491	 1,908	 2,381	 18
Cross Country	656	1,633	1,454	835
Hopkins Elementary Music	116	245	360	1
Hopkins Elementary Gym	146	50	19	177
6th Grade Camp	9,465	26,393	29,417	6,441
 Wrestling	 1,389	 782	 1,007	 1,164
Varsity Girls' Basketball	1,564	1,974	2,183	1,355
Varsity Baseball	10	1,477	1,413	74
Varsity Boys' Basketball	1,621	3,538	3,863	1,296
Golf	629			629
 Track	 13	 798	 374	 437
Wrestling Club	181			181
Soccer Club	122	299	195	226
Bowling Club		1,063	1,031	32
Class of 2011		200		200
 Class of 2004	 886		 886	
Class of 2005	2,266	53	1,697	622
Varsity Cheerleaders	220	4,083	3,328	975
Athletic Director	360			360
Athletic Director Programs	219			219
 Yearbook/Journalism	 6,445	 20,003	 21,593	 4,855
FFA	843	9,026	9,676	193
Band	5,037	10,326	10,872	4,491
Band Uniforms	636	1,871		2,507
Honor Society	785	254	673	366
Hopkins Elementary Field Trips	956	12,315	11,977	1,294

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Receipts	Disbursements	Balance June 30, 2005
Spanish Club	\$ 3,166	\$ 10,635	\$ 11,184	\$ 2,617
Art Club		3,620	3,620	
HS Student Council	1,462	2,582	3,815	229
Jr. High Student Council	1,048	709	905	852
Hopkins Elem. Student Council	3,472	2,874	3,572	2,774
Sycamore Student Council	2,210	1,418	1,783	1,845
 Drama Club	 2,044	 751	 1,885	 910
SADD	81	2,186	2,150	117
Dance Club		228	228	
HHS Scholarship	200	1,150	900	450
Gaunce Scholarship				
 BCSB Scholarship		 1,000	 1,000	
Hellwig Scholarship	2,857	23	1,600	1,280
American Bottling Scholarship	500	3,500	3,000	1,000
VanderPloeg Scholarship	50	200	200	50
Kenneth Arndt Scholarship	1,754	250	750	1,254
AP Classes	1,078	342	1,003	417
 Indjer Scholarship	 2,600		 350	 2,250
Pep Club	87			87
Drug Free Schools	3			3
Internal	42	855	745	152
Interest	1,673	3,913	4,593	993
 HS Principal	 1,313	 7,641	 6,628	 2,326
Volleyball	5,190	21,350	23,452	3,088
Varsity Football	2,896	4,660	5,592	1,964
Softball	236	185	234	187
PALs				
 Ski Club	 71	 1,893	 1,656	 308
HE Library	47	3,271	2,955	363
Hopkins Elementary Art	113	50	52	111
Sycamore Music	50	56		106
Sycamore Art	128	50		178
Shelley Smith	26	50		76

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Receipts	Disbursements	Balance June 30, 2005
Sycamore Gym	\$ 62	\$ 50	\$ 19	\$ 93
Sycamore Library	759	5,144	4,850	1,053
Sycamore Young Authors	1,420	2,814	2,906	1,328
Wise Farm Rental	460			460
Choir	(4,825)	25,242	44,929	(24,512)
Accelerated Reader - HE	11	500	468	43
Musical	(12,342)	32,271	43,444	(23,515)
6th Grade Team	655	2,116	2,350	421
7th Grade Team	762	2,531	2,844	449
8th Grade Team	1,020	3,068	2,780	1,308
Destination Imagination	46	50		96
Leonard Brenner Scholarship		500	500	
Wayland VFW Scholarship		100	100	
High School Spirit Shop	43	3,004	2,868	179
Class of 2006	2,049	4,880	5,310	1,619
Class of 2007	2,579	509	682	2,406
Class of 2008	200	2,402	1,601	1,001
Class of 2009	200	815	575	440
Class of 2010	200	200		400
United Bank Scholarship		1,000	1,000	
Arnsman Athletic Scholarship		2,000	1,000	1,000
Middle School Principal	2,965	12,176	12,239	2,902
Middle School Yearbook	1,446	7,398	6,318	2,526
	<u>\$ 73,952</u>	<u>\$ 301,576</u>	<u>\$ 344,157</u>	<u>\$ 31,371</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1996 BONDED DEBT
JUNE 30, 2005**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2006	6.250	\$ 42,188	\$ 42,188	\$ 650,000	\$ 734,376
2007	6.250	21,875	21,875	700,000	743,750
		<u>\$ 64,063</u>	<u>\$ 64,063</u>	<u>\$ 1,350,000</u>	<u>\$ 1,478,126</u>

Above bonds dated November 5, 1996, were issued for the purpose of erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Hopkins Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the Sycamore Elementary School, in part for acquiring and installing education technology systems, developing and improving the site and playground; erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Junior/Senior High School for middle school purposes and, in part, for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping a new high school and acquiring and installing educational technology systems, developing and improving the site; and constructing and equipping a bus maintenance facility and developing and improving the site.

Total amount of original issue was \$20,990,000.

A portion of the original issue was defeased with the 1998 and 2000 refunding bonds.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 REFUNDING BONDS
JUNE 30, 2005**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2006	3.95	\$ 177,204	\$ 177,204	\$ 60,000	\$ 414,408
2007	4.00	176,019	176,019	60,000	412,038
2008	4.05	174,819	174,819	415,000	764,638
2009	4.10	166,415	166,415	415,000	747,830
2010	4.15	158,011	158,011	415,000	731,022
2011	4.20	149,504	149,504	415,000	714,008
2012	4.25	140,893	140,893	415,000	696,786
2013	4.35	132,178	132,178	415,000	679,356
2014	4.40	123,359	123,359	415,000	661,718
2015	4.45	114,333	114,333	415,000	643,666
2016	4.50	105,203	105,203	415,000	625,406
2017	4.55	95,969	95,969	415,000	606,938
2018	4.65	86,631	86,631	415,000	588,262
2019	4.65	77,190	77,190	415,000	569,380
2020	4.65	67,541	67,541	415,000	550,082
2021	4.65	57,893	57,893	415,000	530,786
2022	4.65	48,244	48,244	415,000	511,488
2023	4.65	38,595	38,595	415,000	492,190
2024	4.65	28,946	28,946	415,000	472,892
2025	4.65	19,298	19,298	415,000	453,596
2026	4.65	9,649	9,649	415,000	434,298
		<u>\$ 2,147,894</u>	<u>\$ 2,147,894</u>	<u>\$ 8,005,000</u>	<u>\$ 12,300,788</u>

Total amount of original issue was \$8,370,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1999 REFUNDING BONDS
JUNE 30, 2005**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2006	4.00	\$ 177,996	\$ 177,996	\$ 45,000	\$ 400,992
2007	4.05	177,096	177,096	45,000	399,192
2008	4.15	176,185	176,185	415,000	767,370
2009	4.20	167,678	167,678	415,000	750,356
2010	4.30	159,066	159,066	410,000	728,132
2011	4.35	150,456	150,456	440,000	740,912
2012	4.40	140,996	140,996	430,000	711,992
2013	4.50	131,644	131,644	425,000	688,288
2014	4.55	122,294	122,294	420,000	664,588
2015	4.60	112,844	112,844	420,000	645,688
2016	4.65	103,289	103,289	415,000	621,578
2017	4.70	93,744	93,744	410,000	597,488
2018	4.75	84,211	84,211	405,000	573,422
2019	4.75	74,694	74,694	400,000	549,388
2020	4.75	65,194	65,194	400,000	530,388
2021	4.75	55,694	55,694	395,000	506,388
2022	4.75	46,313	46,313	390,000	482,626
2023	4.75	37,050	37,050	390,000	464,100
2024	4.75	27,788	27,788	390,000	445,576
2025	4.75	18,525	18,525	390,000	427,050
2026	4.75	9,263	9,263	390,000	408,526
		<u>\$ 2,132,020</u>	<u>\$ 2,132,020</u>	<u>\$ 7,840,000</u>	<u>\$ 12,104,040</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
JUNE 30, 2005**

<u>Fiscal year ended June 30,</u>	<u>Interest rate</u>	<u>Interest due May 15,</u>	<u>Principal due May 15,</u>	<u>Total due annually</u>
2006	4.76	\$ 13,088	\$ 29,277	\$ 42,365
2007	4.76	2,495	6,481	8,976
2008	4.76	2,186	6,791	8,977
2009	4.76	1,863	7,115	8,978
2010	4.76	1,524	7,453	8,977
2011	4.76	1,169	7,808	8,977
2012	4.76	798	8,180	8,978
2013	4.76	408	8,569	8,977
		<u>\$ 23,531</u>	<u>\$ 81,674</u>	<u>\$ 105,205</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the State Aid Payments). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2005

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 14, 2005

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2005, which collectively comprise Hopkins Public Schools basic financial statements and have issued our report thereon dated July 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 14, 2005

We noted certain matters that we reported to management of Hopkins Public Schools in a separate letter dated July 14, 2005.

This report is intended solely for the information of the Board of Education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



Iamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

July 14, 2005

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

In planning and performing our audit of the financial statements of Hopkins Public Schools for the year ended June 30, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated June 14, 2005, on the financial statements of Hopkins Public Schools.

Fixed Assets (repeat comment)

The District does not have a computerized system in place for depreciating property, plant, and equipment. We recommend that the District invest in a depreciation software package. Such software will assist in keeping the depreciation accurate and up-to-date because the software calculates the depreciation automatically. Using the software, the District can also make monthly updates to records for any new additions or disposals and can calculate any gains or losses on disposal.

New Grace Period for Cafeteria Plans

The IRS announced in Notice 2005-42 that they would allow employers to change the Flexible Spending Accounts (FSAs) in their Cafeteria Plans (Section 125 Plans) to adopt a brief grace period following the end of the plan year. This would give employees an additional 2½ months (14½ months in total) to use up their deferrals for the plan year. The employer would provide a run-out period for 2½ months following the plan year in which the employee could incur additional qualified expenses. Prior to this notice any unused amounts would be forfeited at the end of the plan year.

You must amend your plan by the end of the current plan year to provide this grace period for current and future plan years. Please contact us if you need any additional information.

NEW RULES FOR §403(b) PLANS

Proposed regulations were issued last year that require a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used. This rule applies for tax years beginning after 2005.

We would recommend that you contact your attorney before the end of 2005 to assure you comply.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

3

July 14, 2005

This report is intended solely for the information and use of Hopkins Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costurison & Ellis, P.C.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

July 14, 2005

To the Finance Committee
Hopkins Public Schools
Hopkins, Michigan

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2005, and have issued our report thereon dated July 14, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated June 16, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Hopkins Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimated liability of compensated absences at June 30, 2005. The estimated liability is \$729,958.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Hopkins Public Schools financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Hopkins Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Hopkins Public Schools financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hopkins Public Schools financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hopkins Public Schools auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Finance Committee
Hopkins Public Schools
Hopkins, Michigan

3

July 14, 2005

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of Hopkins Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costinison & Ellis, P.C.